

REPORT TITLE: HRA BUDGET 2025/26

12 FEBRUARY 2025

REPORT OF CABINET MEMBER: CLLR CHRIS WESTWOOD – CABINET
MEMBER FOR HOUSING

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WARD(S): ALL

PURPOSE

This report requests approval for the proposed HRA revenue and capital budgets for 2025/26, and the 10 year indicative capital programme to 2034/35, as detailed in Appendices 1 to 4 and taking account of the funding shown in Appendix 5.

Despite the continuing budget challenges outlined in the Budget Options report in November 2024, and further pressures arising since the November report, this report proposes a budget for 2025/26 and business plan to achieve the Council's policy objectives to go greener faster, to support healthy communities and maintain the commitment to deliver 1000 new homes. Funding to go greener faster has been maintained and the changed new homes strategy to move towards buying as well as building is already seeing increased numbers of new homes for the council. The balanced budget has been achieved by identifying approximately £2m of savings in 2025/26 with minimal impact on service delivery.

Energy costs remain significantly higher than historic levels and continue to impact on many of the most vulnerable residents in our homes. To mitigate the additional energy costs for residents; to improve energy efficiency ratings; and to promote de-carbonisation of our council homes, the business plan retains the significant investment in retrofitting the stock, and, subject to award of grant funding, proposes introducing technology-based measures for properties that cannot achieve EPC-C ratings by economic fabric measures.

The report proposes a 2.7% increase in rents, based on September CPI of 1.7% plus 1%, and the application of CPI+1% for the 5 years between 2026/27 and 2030/31, in line with government policy. This aims to ensure that the HRA Budget remains sustainable and viable over the 30-year period whilst the Council adds to the housing stock through new build or acquisition, and continues to invest in the existing stock.

RECOMMENDATIONS:That Cabinet recommend that Council:-

1. Note the HRA Financial Plan operating account, including annual working balances, as detailed in Appendix 6.
2. Approve the 2025/26 Housing Revenue Account budget as detailed in Appendices 1 and 2 to this report.
3. Approve the proposed capital programme for maintenance, improvements and renewals totalling £167.868m.
4. Approve capital expenditure and delegate to the Strategic Director with responsibility for housing authority to enter into necessary contracts for the 2025/26 capital programme of £21.134m, as detailed in Appendix 3 of the report in accordance with Financial Procedure Rule 7.4.
5. To approve the award of a contract, by direct award, for technology-based retrofit works of £4.3m per year in 2025/26, 2026/27 and 2027/28 (totalling £12.8m), contingent on funding secured from the Department of Energy Security and NetZero Social Housing Fund Wave 3 Grant, equivalent to 190 properties over 3 years. (See Para 11.62 to 11.65).
6. Approve the proposed 10 year capital programme for new homes totalling £237.7m, and expenditure of £5.255m in 2025/26, as detailed in appendix 4 of the report in accordance with Financial Procedure Rule 7.4,
7. Approve the financing of the HRA Capital Programme as detailed in Appendix 5, (noting the planned repayment of borrowing following the 1000 homes programme).
8. Approve the revenue savings target of £2m outlined to Cabinet in the November options paper and subsequently consulted upon and summarised at appendix 7.
9. Authorise the Section 151 Officer, in consultation with the Strategic Director with responsibility for Housing to approve the buy-back, during 2025/26, of individual former HRA properties sold under the Right to Buy, following positive financial appraisal, utilising the unallocated New Homes budget (see para 11.26).
10. Subject to the acceptance of the expression of interest to the Local Authority Housing Fund (LAHF) round 3:
 - a. Authorise the Strategic Director with responsibility for Housing to enter into a revised Memorandum of Understanding with Ministry of Housing, Communities & Local Government to secure additional LAHF funding estimated at £2.841m

- b. Delegate authority to the Section 151 Officer to approve capital expenditure (subject to financial appraisal, in accordance with Financial Procedure Rule 7.4) of up to £6.0m to purchase up to 12 properties using the approved HRA unallocated new build budget, to be part-financed by LAHF grant with any balance via prudential borrowing.
 - c. Authorise the Corporate Head – Asset Management and the Strategic Director with responsibility for Housing to purchase up to 12 properties. (Para 11.70-11.72)
11. Approve the average rent increase for 2025/26 for all affordable, Shared Ownership and social housing of 2.7% based on the September 2024 CPI figure of 1.7% +1% (see para 11.6-11.7).
12. Approve amendments to HRA tenant service charges in 2025/26 to reflect cost recovery based on 2023/24 actual costs, subject to capping at 5% or £5, whichever is greater, and noting that capped charges will be subject to gradual increases in future years (see para 11.41 to 11.45).
13. Note that the previously approved consultation on the move to full cost recovery for both private and tenant connections of the council's sewage treatment works will now take place in 2025/26 (see para 11.46-11.51).
14. Note that the draft HRA Business 30-year Plan is viable and sustainable and has the capacity to support the delivery of 1,000 new affordable homes.

IMPLICATIONS:1 COUNCIL PLAN OUTCOMES

- 1.1 Greener Faster - The proposed budget will contribute to the council's ambition to reduce carbon emissions through continuing provision for significant investment in Carbon reduction measures across the existing housing stock, and by incorporating energy efficiency measures within the design and construction of new properties constructed or purchased. This includes the council's 10 year retrofit programme for existing properties.
- 1.2 Good Homes for all - Providing good quality housing and new affordable homes in the district is a strategic priority for the council. Effective management of the resources available ensures this priority is met and means that opportunities to improve the existing housing stock, increase tenant satisfaction, and add to the existing stock through a range of tenure types are identified and achieved.
- 1.3 Thriving Places - Delivery of affordable accommodation allows people to live and work in the district, contributing to the local economy.
- 1.4 Efficient and Effective - One of the key objectives of the Housing Strategy is to modernise the customer service offer through the development of a digital first customer journey, improving communication and self-service options for tenants/residents, and efficiency of services.
- 1.5 Healthy Communities - The wellbeing of residents is considered within the design of new properties and new homes are designed to be both energy efficient and to meet tenants' needs. Any substitute properties are assessed according to these criteria. Maintaining the existing stock to a high standard contributes to the well-being of residents. The Housing stock also includes provision for supported living and tenant welfare.
- 1.6 Listening & Learning - Housing tenants are directly involved in decisions regarding service provision, both through the work of the Tenants and Council Together (TACT) Board (the council's formal district-wide group who represent tenants' and leaseholders' interest in the provision and development of Housing Services) and through regular tenant and leaseholder digital surveys, capturing wider tenant views. The service continues to review options to provide an improved customer experience, increase opportunities for engagement, and to ensure satisfaction with services provided by the council.

2 FINANCIAL IMPLICATIONS

- 2.1 These are fully detailed in section 11 of the report and accompanying appendices.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under Part VI of the Local Government and Housing Act 1989, any local authority that owns housing stock is obliged to maintain a Housing Revenue Account (HRA). The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring-fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.
- 3.2 The Council is required to prepare proposals each year relating to the income from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and designed to demonstrate that the housing revenue account is sustainable. The report sets out information relevant to these considerations.
- 3.3 Section 76 of the Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit.

4 WORKFORCE IMPLICATIONS

- 4.1 As part of the savings proposals agreed in November 2024, a small number of vacant posts will be deleted. Interim additional resource may also be required to support existing housing services while regulatory compliance action plan is progressed in 2025/26. Other than this, there are no proposed changes to the staffing establishment proposed within this report.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 To meet one of the key principles of the council plan, the HRA is required to provide sufficient financial resources to both maintain existing stock to decent homes standard and to enable new affordable housing to be obtained to help meet local demands.

6 CONSULTATION AND COMMUNICATION

- 6.1 To date, two meetings have taken place with TACT members to explain the challenges the HRA is facing, and a further meeting planned for 27th January to discuss the budget report in more detail. TACT members were consulted on options to address these pressures which assisted with the formulation of the savings plan. The TACT Board meeting in December also covered the proposed rent increase of 2.7%.
- 6.2 In addition, a consultation paper was circulated to over 4,000 tenants to seek views on how the HRA should prioritise expenditure, and the proposed measures to address cost pressures. A reminder was sent prior to the

deadline, and a total of 13 responses were received. Consideration will be given to how the response rate can be improved, particularly as this is the first time a survey of this type has been undertaken.

- 6.3 The results of the survey demonstrated that, of those who responded, tenants ranked maintenance and improving repairs as the number 1 priority for the HRA, followed by regulatory compliance, retrofitting and major works and finally new build. Respondents to the survey were generally supportive of the priorities within the business plan and the proposed savings.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 This year's 30-year business plan maintains significant resources to fund the retrofit programme of works. Delivery of the planned investment could lead to a reduction of 1666.22 tCO₂ from customers' homes by 2030.
- 7.2 The Business Plan also funds the provision of retrofit officers responsible for the delivery of the retrofit programme to drive this increased programme.
- 7.3 The Housing Service considers environmental factors when preparing and developing major projects e.g., working closely with Planning and Landscape Officers when considering new build developments to meet the required codes for sustainable housing.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options. The housing service holds data in respect of its tenants' protected characteristics. Whilst there is no evidence to suggest the budget proposals and services within it would adversely affect those with protected characteristics, it is recognised that some tenant households will be impacted differently by the same budget objectives and associated services.
- 8.2 The 2025/26 budget's operational decisions being presented in this paper include investment in maintaining decent homes and increasing the supply of affordable housing designed to have a positive impact on customers. Other options designed to have a positive impact on customers include investment in energy efficiency that will benefit those tenants with high energy costs, and fire safety improvements which will improve the safety of residents in blocks in the event of a fire.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 All projects set out in this report and the Capital Programme will be subject to individual data protection impact assessments where required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i> That Council owned dwellings fail to meet decent home standards	An effective programme of future works and sound financial planning ensures that these standards are met and then maintained.	Self-Financing provides certainty around future resource allocations and facilitates better supply chain management
<i>Community Support</i> Lack of consultation will affect tenant satisfaction and cause objections to planning applications for new build developments.	Regular communication and consultation is maintained with tenants and leaseholders on a variety of housing issues. The Council consults with local residents and stakeholders on proposed new build schemes.	Positive consultation brings forward alternative options that may otherwise not have been considered.
<i>Timescales</i> Delays to new build contracts may result in increased costs and lost revenue.	New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions.	
<i>Project capacity</i> The HRA can borrow funds in addition to utilising external receipts and reserves, but it must be able to service the loan interest arising.	Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the Council to manage resources effectively.	The Council inputs and monitors government consultation on the use of RTB receipts and potential capital grant funding.
<i>Financial / VFM</i> Risks, mitigation, and opportunities are managed through regular project monitoring meetings.	New build Schemes are financially evaluated and must pass financial hurdles and demonstrate VFM. Total Scheme Costs contain provision for contingency on build costs and on fees for new build developments that take account of potential residual development and sales risk.	In addition, the HRA holds annual minimum levels of reserves based upon 5% of operating turnover and 10% new build costs.

Insufficient new build sites are identified to assign RTB 1-4-1 receipts financing to and RTB receipts are required to be repaid to Central Government with a compounded interest penalty based on current rates.	RTB 1-4-1 are closely monitored so in-year targets for new builds are known.	Government has introduced measures to improve flexibility in the use of RTB receipts, and proposed changes to the scheme which will likely reduce this risk.
Risk that the council cannot deliver the programme of new build and meet the objective of 1000 homes in 10 years because of the lack of sites, the cost of development or the cost of financing this development.	The new homes programme is monitored on a regular basis and if appropriate could be delayed or re-profiled in light of the availability of these resources	Acquisition strategy allows the Council to continue to add to its stock where building cannot be made viable. Changes to the RTB scheme may improve viability of some projects.
<i>Staffing resources (not always in Housing) reduce the ability to deliver key objectives within the Capital and New Build programmes, as well as the wider HRA.</i>	Staffing resources have been reviewed to support the delivery of the new build programme. Interim resources to support compliance works where appropriate.	Given the challenging nature of the HRA, it may be necessary to review the resourcing requirements needed.
<i>Interest rate volatility</i> There is a risk of volatility or continuing higher borrowing costs, impacting on the viability of existing and forthcoming capital schemes.	The HRA has cash reserves that allow it in the short term to effectively borrow from internal resources giving a period for interest rates to stabilise and reset and the fiscal environment to be more benign.	The use of internal borrowing can help to reduce the short-term cost of borrowing as well as delay the need to seek external finance and delivers better overall returns to the HRA. At the point internal borrowing is no longer feasible, a cautious assumption has been made for future borrowing costs in the business plan.
<i>Legal</i> The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered within planning of future new build projects.	Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.	To create new housing developments within new guidelines and drawing on innovative thinking.
<i>Reputation</i>		

Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction and the Council's reputation.	Business planning tools with regular updates are utilised to make sure resources are available to complete projects.	
<i>Other</i> – Environmental regulation such as that by Natural England on mitigating Phosphates	This delays the ability to bring forth schemes with planning permission and delays increase the cost and viability of schemes.	

11 SUPPORTING INFORMATION:

- 11.1 The HRA Business Plan and budget options report 2025/26 provides the background to the 2025/26 HRA budget. This report was reviewed by Scrutiny on 12 November 2024, and subsequently approved by the Cabinet at its meeting on 20 November 2024. TACT representatives were briefed and invited to comment at both committees. The paragraphs below summarise the content of that report, progress and other issues to raise since that date.

Economic Outlook and cost pressures:

- 11.2 The Budget for 2024/25 was set against a background of increasing interest rates, designed to tackle significant inflationary pressures. CPI inflation has since fallen, dropping to 1.7% in September 2024, but bouncing back to 2.3% in October, 2.6% in November and then reducing slightly back to 2.5% in December. This does not mean that costs have fallen, it means that the pace of increase has slowed down and demonstrates that the risk of inflation is still present. Key cost drivers to the HRA such as energy and building materials will remain significantly higher than in previous years.
- 11.3 Bank of England base rate rises continued into the early part of 2024/25 and stabilised through the spring, prior to reductions in base rate in August and December to 4.75%. Although further base rate reductions are likely, it is unlikely that interest rates will be as low as they were prior to 2021. Borrowing costs are not determined by the base rate, but by the yield on gilts, which are influenced by government policy decisions and other economic factors. Despite the base rate reductions, the cost of PWLB borrowing has remained well above 5% since the Summer.
- 11.4 The investment required for new homes continued to increase in 2024/25. Construction cost inflation during 2024 has been in line with RPI inflation, and costs identified through the development of business cases for new build have varied from £4,800 to £5,100 per square metre (including 15% allowance for oncosts); making the cost of construction (excluding land) for an average

90sqm 3-bedroom property in excess of £430,000. At the same time the cost of borrowing that the council can access remains high, whilst new affordable rents have increased only in line with inflation plus 1% in recent years.

- 11.5 These continuing cost pressures, alongside increasing regulatory requirements arising from (Insert legislation), means that the annual HRA Business planning process remains challenging.

Rent Increases

- 11.6 The council sets its rents in line with the Rent Standard and the Regulator of Social Housing's rent setting guidelines. The basis of rent setting is September CPI+1% for 2025/26, a 2.7% rent increase for all tenants. Rent setting policy for future years was consulted by government during November 2024, proposing a continuation of CPI+1 from 2026/27 to 2030/31. The outcome of the consultation had not been published at the time of writing this report. Cabinet agreed to apply this principle as part of the budget options paper in November 2024.

Table 1- indicative weekly rents in 2025/26 compared to 2024/25 for existing tenants.

Social Rents

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2024-25	90.52	107.61	123.79	140.25	150.87	174.45	171.47	123.39
Avg Wkly Rent 2025-26	91.31	110.75	127.53	144.08	155.13	179.16	176.1	126.87
increase per week @ 2.7%	0.87%	2.92%	3.02%	2.73%	2.82%	2.70%	2.70%	2.82%

Affordable Rents

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2024-25		168.4	199.33	234.11	258.03	252.27	247.91	199.45
Avg Wkly Rent 2025-26		160.32	198.43	233.37	266.86	259.08	254.6	197.63
increase per week @ 2.7%		-4.80%	-0.45%	-0.32%	3.42%	2.70%	2.70%	-0.91%

- 11.7 The average HRA social rent for new tenancies from April 2025 will be different, and this reflects the fact that new rents will converge to the current formula rent, which is calculated without any cap applied for 2023/24 as was the case for existing tenants. The current policy for new affordable rent tenants will be let provisionally at 80% of market rent only if the property meets the required minimum energy efficiency requirements.

Table 2 – Average Weekly rents for new social lets

Formula Rents

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2024-25	96.85	111.98	129.96	145.94	159.17	182.39	177.85	128.84
Avg Wkly Rent 2025-26	97.97	116.23	133.94	151.53	165.11	187.32	182.65	133.37
increase per week @ 2.7%	1.16%	3.80%	3.06%	3.83%	3.73%	2.70%	2.70%	3.52%

Repairs and maintenance

- 11.8 The capital programme makes provision for major repairs and refurbishment of the existing housing stock to decent homes standard. Investment is based on an asset management plan and the information recorded in the council's property management database. The database records the expected lifecycle replacement costs of key components and expected works to meet energy efficiency standards. This informs the detailed Capital Programme for 2025/26; the likely investment requirements for the following 5 years; and ultimately over the thirty-year plan.
- 11.9 To bring the housing stock up to the required energy efficiency standard of EPC C identified by 2030-31, investment of £45m was previously built into the business plan, of which £38.36m is expected to remain as of 1st April 2025. Further information on the capital programme at paras 11.60 to 11.67

Interest on borrowing

- 11.10 Interest rates are a key cost driver in the HRA business plan and, as at 31 March 2024, the HRA's Capital Financing Requirement (unfinanced prior spend) was £215.3m, of which £159.5m is external debt, fixed at PWLB interest rates averaging 3.27%, and the balance of £55.8m is internally borrowed (offset against reserve balances and working capital). PWLB rates are not directly linked to the Bank of England base rate but are set at a margin over government gilt yields, which analysts believe are likely to remain higher than the period of historically low rates following the 2008 financial crisis. The current cost of financing external debt is £5.23m per annum.
- 11.11 This debt came about through self-financing arrangements for the HRA introduced in 2012. A proportion of this existing debt, £133m, will need to be refinanced over the next 15 years, £82m within the next five years. The HRA, unlike the General Fund, has no requirement to set aside funding for debt repayment. However, the HRA contributes to the Capital programme each year through the Major Repairs Allowance, and the HRA business plan assumes contribution to the repayment of debt following the completion of the 1000 homes programme in 2032.
- 11.12 In addition, the proposed plan includes provision to meet the Council's objective of delivering 1000 homes by 2031/32, to be funded through a combination Right to Buy (RTB) 1-4-1 capital receipts; shared ownership sales; other discretionary asset disposals; grants; and borrowing. This will require additional prudential borrowing to finance this delivery.
- 11.13 At present the cost of long-term government borrowing remains elevated and stands at circa 5.8% for 50 year borrowing at the time of writing. Since the Options paper was presented, the outcome of the government's October budget and US elections have created an expectation that base rates will fall more slowly than previously expected. However, the October Budget extended the current discount of 0.2% on HRA borrowing until 31st March

2026. The current assumption for the average cost of borrowing over the life of the business plan at 5% is therefore still considered prudent.

Modernisation of the HRA

- 11.14 One of the key objectives of the Housing Strategy is to modernise the customer service offer through the development of a digital first customer journey, improving communication and self-service options for tenants/residents and efficiency of services.
- 11.15 The Housing management team have carried out a review of our repairs module in our core housing management system. Recommendations from this review will be considered in early 2025, including exploring potential additional modules for community safety and customer cases within the existing system. Work will take place alongside the corporate digitalisation team in the new year to begin some customer experience discovery work for longer term modernisation, beginning with repairs, and are exploring options to move colleagues onto digital ways of working to replace paper based inspections.
- 11.16 The HRA business plan for 2024/25 included £2m to support investment in the R&M procurement and IT systems. To date, spend of £0.3m in 2024/25 is anticipated on the repairs procurement, of which £0.06m relates to IT, and if unspent will be carried forward. The options report reduced the investment budget by £0.4m; leaving a remaining balance of £1.3m.
- 11.17 Of the remaining balance, it is anticipated that a further £0.3m will be required in 2025/26 to support the R&M procurement and £0.2m for investment in the modules outlined in paragraph 11.15. An ongoing £50k has been allowed for to cover future licensing costs associated with additional modules. The remaining balance of investment budget is then profiled to future years pending decision on utilisation.

October Budget measures

- 11.18 The Government's October budget included a number of measures that will impact on the HRA business plan. It was not possible to assess the impacts of these fully for the Options paper in November, however, these have been explored more fully for budget setting.
- 11.19 The most significant changes made by the government have been to the Right to Buy scheme. The proposals have been to:
 - 1) Reduce the discounts on sales of right to buy from November 21st 2024
 - 2) Extend the cost floor of new build
 - 3) Allow local authorities to retain the share previously paid to government

The initial impact of this measure has been to significantly increase the number of applications received in November 2024 before the new discounts applied. Applications received during November 2024 were equivalent to two

years of demand in one month. Some of these are likely to be speculative applications, and for the business plan, the existing conversion rate of applications to sales of has been applied.

Following the initial spike in applications, the expected impact of these measures will be to significantly reduce the number of applications received. It is not yet clear how demand will settle, however the level of applications prior to 2011 was used to inform the business plan. The possible scenarios are that demand will fall substantially and remain low, or that there will be an initial fall in recovery and a return to more usual rates seen prior to 2011 over time.

The financial impacts of this will be as follows:

- An initial increase in sales capital receipt for each sale, and that the share retained by the Council will be 100%, increasing the share restricted to provision of new homes.
- The number of sales after 2024/25 is expected to fall significantly and this will mean fewer capital receipts will be received. However, longer term net rental income to the HRA will be higher as a result of fewer sales, increasing capacity to borrow.
- This does not address the actual cost of building or acquiring homes, and so will still require wider tenants rent to subsidise construction costs. The capacity to do so within the business plan will increase.

Although the loss of capital receipt will likely mean an increased borrowing requirement in the short term, the additional capacity from property retention is sufficient to cover this borrowing requirement.

Increasing the cost floor for RTB sales of new properties will also reduce sales of new build properties, and therefore reduce the pressure associated with repaying borrowing costs for assets no longer owned by the HRA.

Further consultation on the Right to Buy scheme was undertaken by the government during December 2024 and January 2025. The consultation closed on 15th January and the response to the consultation has not yet been published.

Rising Costs of New Build Housing

- 11.20 The cost of building new homes has increased significantly over recent years and, while the pace of inflation has now slowed, this doesn't mean that costs have gone down; merely that the pace of increases has slowed. At the same time, the cost of borrowing remains high.
- 11.21 Under the self-financing regime, the HRA is a purpose made vehicle for delivering new affordable homes and when interest rates were low and stable, and construction costs more affordable, it was able to build, construct and acquire properties; financing this with rents at 70% of market rent or the Local

Housing Allowance (LHA), whichever was the lower, or up to the maximum of 80% market rents for new properties that meet energy efficiency criteria.

- 11.22 The primary financial assessment in the evaluation of new homes is a Net Present Value (NPV) calculation of all future income and expenditure over a 35-year period, discounted to current prices. This calculation uses the current cost of capital and a risk margin as the discount factor. In addition, the council's standard model includes the residual social value of the housing at year 35 on the basis that the asset has been well maintained and has a future use and value. There are other criteria such as gross income covering the cost of borrowing, but the NPV calculation is the key criteria. If it is positive then the scheme or development is worth undertaking as it adds value, if negative then it requires additional subsidy from within the HRA over and above external grant funding or available capital receipts.
- 11.23 Given the expected long term reduction in Right to Buy sales, it is likely that the level of borrowing will need to increase in the medium term. The changes to RTB and retention of more stock, combined with the extension of CPI+1% rent policy will give more capacity within the business plan to borrow.
- 11.24 However, this change will not be reflected in the existing viability modelling for new build and acquisitions. The following principles will therefore need to be considered for future viability modelling, and further work to explore this will take place alongside the existing modelling in 2025/26 while more experience of the new regime is gained and understood:
- 1) Application of RTB or other subsidy to the point where viability is achieved, and prioritisation of the use of potentially fewer RTB receipts,
 - 2) That the output of the appraisals are modelled within an updated business plan prior to approval, and that where borrowing is required, the project can contribute to the future repayment of debt as well as the interest cost
 - 3) Confirmation that the HRA can support the level of subsidy from the HRA required by specific projects after all other available sources of finance are applied, and where the repayment of debt cannot be financed from additional rent alone.
- 11.25 To mitigate the high costs of development for the council outlined above, the Council agreed in the 2024/25 business plan to change the focus of the councils' development strategy to a greater emphasis upon acquiring s106 affordable housing. This has proved successful, with a number of acquisitions agreed in 2024/25. The indicative capital programme includes developments for which business cases are currently being developed, and in addition, assumed costs for potential acquisitions and new build properties for which business cases have not yet commenced.
- 11.26 As part of the acquisition strategy, the Council has the option to buy back former Council Houses previously disposed of through Right to Buy. An internal process has been developed to assess the relative housing need,

strategic fit and financial viability of potential buybacks. During 2024, two identified buybacks were agreed with a further two as yet unidentified purchases in principle delegated to the Strategic Director with responsibility for Housing. The process for acquiring buybacks is time constrained, with decisions required within a set timescale. The process for seeking approval for individual buybacks is not conducive to meeting this timescale, and therefore it is proposed to delegate authority to agree to the purchase of properties in 2025/26 to the Section 151 Officer, in consultation with the Strategic Director with responsibility for Housing, subject to meeting criteria for strategic fit, housing need and financial viability, and funded from the unallocated New Homes budget.

- 11.27 There will still be a need to successfully apply the retained RTB 1-4-1 receipts that will be generated in the future. There are restrictions on how RTB 1-4-1 receipts can be applied; for example, they cannot be applied in conjunction with Homes England grants. There is also a requirement to repay any unapplied RTB capital receipts not used within a five-year period with compound interest of 4% above the Bank of England Base rate over the period the receipt has been held; currently 8.75%. The caps that applied prior to 2024/25 have been lifted temporarily, allowing the Council to more proactively manage this risk; but if it is apparent that receipts cannot be applied, MHCLG will need to be notified and repaid in advance to minimise the interest payable.

- 11.28 At present the council's delivery funded by RTB 1-4-1 receipts is ahead of the need to spend. With no restriction on the level of RTB applied to eligible expenditure, the HRA business plan model demonstrates that, with the application of RTB maximised against existing and potential schemes, the risk of repayment to government is minimised. However, in practise, RTB will be applied carefully to maximise the return on investment.

- 11.29 The HRA business plan has capacity to fund delivery of 1,000 homes by 2032/33 including the 156 homes that are programmed to be delivered in the approved capital programme. The HRA business plan is refreshed each year and subject to the prevailing economic circumstances, assumptions and performance, the capacity to deliver could increase.

- 11.30 The model currently demonstrates that all new borrowing associated with the 1000 homes programme is affordable, and that debt repayment associated with new build and the proposed capital programme can be made over the life of the plan.

HRA Savings requirement - cost pressures and savings targets

- 11.31 The budget options report presented to Cabinet in November 2024 (CAB 3478) detailed significant cost pressures within the HRA, particularly for repairs and maintenance.

- 11.32 In addition to the cost pressures identified in the Options report, additional investment requirements in fire safety and asbestos have been identified as part of the recent regulatory self-assessment. Additional funding has been built into the Capital Programme and HRA revenue budgets to reflect this requirement.
- 11.33 The report to Cabinet Committee: Housing, CAB3479 (H), outlines an action plan to deliver changes and improvements required to deliver changes and improvements to meet requirements of regulatory consumer standards. The Revenue budget includes provision for key programmes of work including annual fire risk assessment and asbestos surveys, stock condition survey work and allows for additional revenue and capital repairs budgets for likely reactive repairs following the completion of surveys.
- 11.34 The Capital budget makes provision of £6m over 3 years to support potential compartmentation works to low and medium rise blocks. This was not included in the November options report as, at the time, self-assessment work was still ongoing, and the likely cost had not been identified or quantified at that point in time. The Capital programme also makes explicit budget for planned fire door replacement programme, fire safety works at Winnall and a provision for reactive capital works for asbestos and fire safety that may arise from future survey work.
- 11.35 Although the extension of the rent setting principle of CPI+1 for 5 years, and government changes to the Right to Buy scheme increases the capacity to borrow in the HRA, these measures are primarily designed to encourage housebuilding, and do not negate the need to address cost pressures. However, in the short term it has allowed the additional investment requirement to be addressed in the business plan without the need for further savings over and above the £2m already identified, and without impacting on the capacity to build new homes.
- 11.36 Previous savings targets set in the 2023/24 business plan have been fully achieved. However, Cabinet agreed savings proposals of £2m in the Budget Options report CAB3478 to mitigate cost pressures and maintain capacity to invest in the HRA. Of these savings, £1.05m have currently been achieved, and actions are ongoing to ensure the remaining savings can be delivered by the end of the year. Of the achieved savings, £0.4m is one-off and further work will be undertaken in 2025/26 to identify ongoing savings. The proposed savings are summarised in the table below and detailed in appendix 7:

	2024/25	2025/26
General cost reduction measures	370	370
Improved cost control on repairs and maintenance	250	300
Increases in rent, service charge, sewage and other income	380	425
Efficiency improvements	270	420
One-off savings (work ongoing to identify ongoing savings in 25/26)	400	400
	1,670	1,915

- 11.37 The identified savings were consulted on more widely, through a tenant survey and TACT board, and are now in the process of being implemented for 2025/26. It is critical that these savings are achieved, as failure to do so will reduce borrowing headroom and would result in significant cuts to the capital programme. Progress against achieving savings will be monitored through the course of 2025/26, and further proposals explored if the current proposals are not delivered.

Asset disposals

- 11.38 The business plan includes proceeds of disposals to date in 2024/25. These disposals relate to strips of development land. These sites, that are considered uneconomic to develop within the HRA, have already been identified and one strip sold as at December 2024. As well as providing valuable capital receipts to support the HRA this will enable small development to come forward.
- 11.39 The business plan assumes that the HRA will identify and dispose of £3.95m of surplus social housing assets over the next eight years. These assets will be identified by looking at their long-term fit in terms of demand/cost to maintain and suitability to retro fit to required standards.
- 11.40 The previous business plan assumed the disposal of Barnes House. This site is currently being reviewed for use as temporary accommodation, which reduces longer term anticipated pressure on the General Fund. This potential use is subject to submission of an expression of interest being submitted for Wave 3 LAHF to support the refurbishment of Barnes house, which otherwise would not be viable. Subject to financial appraisal, a decision on the future use of Barnes House for temporary accommodation in the general fund or disposal by the HRA will be finalised during 2025/26.

Service charges

- 11.41 The 2024/25 budget setting process proposed a move towards cost recovery, and that work would be undertaken in 2024/25 to establish current costs and determine the impact on charges of moving to cost recovery. This review was undertaken in the summer of 2024, using 2023/24 actual costs data as the latest, reliable cost base.

- 11.42 It is proposed that cost recovery take place on an arrears basis, where the charges in the current year will be based on the prior year cost, unless there are exceptional circumstances. The table below summarises the current costs of providing services, compared with the current income recovery through service charges.

Cost category	Number of properties	Current average charges PW	Proposed average charge PW	Average Inc/red'n	actual cost incurred 23/24	Forecast recovery 2024/25	Income estimate 2025/26
Alarm charge	808	1.02	1.01	-0.01	42,395	42,864	42,460
Grounds Maintenance	1589	0.82	0.81	-0.01	68,325	67,730	67,310
Water charges	308	2.58	3.18	0.59	51,132	41,356	50,884
Cleaning	1545	1.68	1.85	0.17	171,098	135,115	149,023
Utilities	1630	2.81	3.34	0.54	284,694	237,807	283,336
Estate Visits	1539	1.65	1.96	0.31	158,480	131,769	156,570
Sheltered Charge	458	9.90	9.95	0.06	271,463	235,733	237,069
Furniture, fixings etc.	536	0.90	0.89	-0.01	27,084	25,051	24,745
Contracts	1061	2.46	2.44	-0.03	159,495	135,987	134,547
Heating	115	8.50	5.29	-3.21	38,130	50,844	31,628
Fire Safety	408	1.02	1.64	0.62	106,714	21,623	34,806
TA Charges	66	23.42	22.27	-1.15	79,661	80,377	76,434
Walpole Road service charges	2	8.94	8.67	-0.27	901	930	901
WHT charges for pump	4	15.59	14.85	-0.74	3,088	3,243	3,088
Affordable service charges	81	3.79	5.98	2.19	24,219	15,982	25,198
Affordable pump charges	14	4.09	12.04	7.95	8,765	2,981	8,765
Council Tax	27	3.81	3.52	-0.29	2,944	5,348	4,939
Average Insurance	101	2.95	2.95	0.00	8,758	15,498	15,506
Management Fee	55	2.24	2.08	-0.16	6,321	6,394	5,945
Pump	69	1.22	1.23	0.01	4,248	4,371	4,402
Catering Costs	8	31.67	35.28	3.61	14,676	13,174	14,676
Kitchen Equipment	8	3.71	2.31	-1.40	960	1,543	960
Evinox	8	1.83	1.83	-0.00	767	761	760

***updated annotated version of this table is attached as an addendum**

- 11.43 The table demonstrates that, for many areas, the service charge was broadly at cost recovery; that there were some areas where overall over recovery was occurring, and some areas where increases are required to move to cost recovery. Some areas, particularly utilities, showed a mix of over and under recovery between properties, which will be adjusted in final charges, however the table above gives an overall average across all properties.
- 11.44 It is recognised that a move to full cost recovery may result in an excessive increase in charge if applied straight away; it is therefore proposed to cap increases at 5% or £5, whichever is the greater, and to phase towards full recovery over a period of years, and the income projections above reflect this.
- 11.45 The average existing and proposed average charges for each cost category tabulated at 11.41 above will overall result in a reduction in expected income for certain charges, however, this is more than offset by reductions in associated rechargeable cost budgets, particularly for cleaning and energy, which haven't increased as significantly as was assumed in previous business plans.

Sewage Treatment Works

- 11.46 The HRA is responsible for the operation of a number of small sewage treatment works, septic tanks, and cesspools, which provide private sewage treatment connections for 394 council tenants and 367 private homes. The sewage treatment works encompass 36 small sewage treatment works (including septic tanks), 19 pumping stations (9 are isolated and 10 within curtilage of treatment works) and 21 cesspools. The sewage treatment works range in size from small works serving 4 properties to larger works serving 85 properties. The septic tanks and cesspools serve between 1 and 8 properties.
- 11.47 There is currently an under-recovery by the HRA of the annual cost of operating these treatment plants forecast at £256k in 2024/25.
- 11.48 The Council agreed to the principle of moving to cost recovery of the total cost of providing sewage treatment services to all residents in February 2024, so that these services are not subsidised by other council tenants. In the meantime, it is proposed to increase sewage service charges in line with Ofwat proposals to be announced in February 2025.
- 11.49 To facilitate this and mitigate some of the larger increases that would otherwise be required, new investment was included in the capital programme in 2024/25 to reduce the specific costs of the four most expensive sites. Progress is being made against these sites, with completions expected in 2025/26. Further provision has been made in the capital programme, subject to business cases, for further investment.
- 11.50 In addition, the capital programme also includes investment in sewage sites funded via Partnership for Urban South Hampshire, and further investment in sites intended to generate nutrient credits. The sale of nutrient credits will generate receipts which can be reinvested in additional sites, for which provision is made subject to approval of business case.
- 11.51 Costs will be reassessed following investment in sites and a consultation plan agreed in 2025/26, after which it is proposed that WCC move to full cost recovery for these services to all residents over a transitional period.

Housing Revenue Account Budget 2025/26

- 11.52 Details of the proposed budgets are shown in Appendices 1 and 2 and the larger item adjustments highlighted in the subjective summary in Appendix 2 are shown below:
- 11.53 Employees – The 2025/26 budget is £6.047m, a slight decrease of £0.027m on the 2024/25 revised budget. The employee budget includes the full year effect of the 2024/25 pay award, a provision of 4% for the 25-26 pay award, and allowance for a 1% increase in employers NI contribution. It also takes into account an anticipated reduction in staff capitalisation within the New Homes team, which arises as a result of a move towards acquisitions rather

than new build in the short term. Savings of £0.11m have been achieved through the deletion of vacant posts as agreed in the HRA options paper, and other adjustments relate to the transfer of finance staff from direct staff costs to a recharged cost. The one-off budget in 2024/25 relates to repairs contract reprocurement which has been reversed and revised in 2025/26 within Supplies and Services.

- 11.54 Premises – The 2025/26 budget is £10.217m, an increase of £1.264m on the 2024/25 original budget. The main changes relate to repairs and voids of £1.585m, which includes the impact of historic cumulative inflation and anticipated RPI inflation in 2025/26; continuing growth in workloads; and regulatory pressures outlined in paragraph 11.33. An anticipated increase in insurance costs of £0.118m, and increase in business rates, and council tax on void properties of £0.070m is also factored in. This is partially offset by proposed cost reduction savings on maintenance costs of £0.3m. The remainder of the saving relates to readjustment of energy and cleaning budgets consistent with 2023/24 outturn and 2024/25 forecasts.

- 11.55 Supplies & Services and Third Party Payments – The Supplies and Services line includes growth items that were outlined in the November options report of £0.34m. The majority of the saving relates to a one-off saving agreed within the options paper of £0.4m to reduce the overall £2m investment included in the HRA in 2024/25. Further work will be undertaken in 2025/26 to identify further savings to ensure the £0.4m is ongoing. Further savings of £0.18m relate to reductions in consultancy budget, white goods, and Voicescape contract agreed within the November Options report.

- 11.56 Support Services – The Options report anticipated a £0.15m growth in support services over and above anticipated inflation. However, during the budget setting process it was clear that, particularly for IT costs, budget had not kept pace with actual costs. Increases in costs over the last few years has related to the rollout of laptops to facilitate flexible working post Covid, and the associated replacement cycle; and inflation on software costs in excess of headline CPI inflation. This has been resolved as part of the budget setting. The Budget options paper included a saving of £0.15m following a review of support staff chargeable to the HRA, and this has been accounted for in the wider staffing recharge calculation.

- 11.57 Net Interest – The 2025/26 budget reflects the external interest cost of anticipated HRA borrowing. It assumes gross interest costs of £7.152m, a decrease of £0.564m on the 2024/25 original budget. The basis of borrowing assumption is that the increase in borrowing requirement stemming from the current approved new build projects, and projects for which business cases are still being developed, will mean that borrowing currently being financed internally will need to be externalised during 2025/26, and further external borrowing undertaken from 2026/27. However, this is dependent on projects being agreed and, depending on the timing of spend and approval, internal borrowing will be applied for as long as the Council's overall cashflow will allow. Anticipated Interest rates on HRA balances are currently assumed at

5%. The reduction in borrowing costs between 2024/25 and 2025/26 is largely attributable to the reprofiling of the capital programme in 2024/25 and 2025/26.

- 11.58 Depreciation – Is an estimate based on the prior year and anticipated increase in the current year. The budget for 2025/26 is £10.562m, an increase of £0.589m on the £9.973m original budget for 2024/25. The actual cost of depreciation will reflect the value of the HRA operational assets, the anticipated capital spend and the changes in the number and value of HRA dwellings and non-HRA dwellings at year end.
- 11.59 External Income – The 2025/26 budget is £38.004m, an increase of £1.123m on the original budget for 2024/25. This largely reflects the proposed rent increase of 2.7% from April 2025, together with associated changes in service charges and other income. For comparison the HRA will be spending £1.327m more on services than in 2024/25. Right to Buy admin fees are anticipated to reduce significantly following the changes to the scheme in November 2024 and the budget has been adjusted accordingly.

HOUSING SERVICES CAPITAL PROGRAMME

- 11.60 The 10-year forward financial projection for major repairs is based on data held on the replacement cycle of key components, held within the Council's asset management database. It also includes provision for works to meet energy efficiency standards.
- 11.61 HRA properties are maintained to decent homes standards, with the property services team managing the upkeep of properties taking into consideration current stock condition information. In order to manage the maintenance, improvement and renewal programme effectively, the property services team need to have the flexibility to substitute projects and re-balance expenditure between repair budgets. The 10-year housing services capital programme allocates £90.9m towards major repairs to HRA dwellings based on the investment requirements of the asset management plan.
- 11.62 A key element of the council's Climate Neutrality Action Plan includes additional investment in the council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions. The updated housing services capital programme includes funding towards climate change of £42.373m, including provision for inflation.
- 11.63 The delivery of fabric improvements in year 2023/24, to over 200 homes with an EPC rating of D proved that renewable energy technologies are required in addition to the essential fabric upgrades to achieve the desired energy performance ratings. It is therefore proposed to combine the fabric upgrades with renewable energy technologies such as Solar PV and battery storage. The fabric and renewable technology measures proposed are compatible with the Standard Assessment Procedure Calculations for Domestic Energy Consumption. The combination of these measures will lower bills for

residents, decrease the reliance on fossil fuel and uplift EPC ratings to C, providing our residents with warmer more comfortable homes. It is proposed that £8m of the proposed budget is utilised on alternative technologies to ensure compliance for those properties. This is supported by, and subject to, an application for funding from the Department of Energy Security and NetZero under the current SHF Wave 3 Grant, the outcome of which is expected in February 2025.

- 11.64 Procurement of a suitable contractor to undertake the above will require the Council to procure in an expedient manner to, a) meet the conditions of the grant and b) minimise risk of failing to meet regulatory deadline. Procurement via the Communities and Housing investment Consortium Framework has begun and has included consultation with the relevant legal and procurement officers to confirm this is competitive and meets relevant procurement.
- 11.65 The nature and range of the projects requires a specialist contractor(s) with Retrofit Certification, to ensure value for money and quality assurance. Due to the high demand for these specialist contractors utilising a suitable Framework, where contractors have already undertaken a robust selection process to be appointed, was identified to be the most suitable procurement route. The Framework utilised is CHIC- Communities and Housing Investment Consortium. Utilising a suitable Framework agreement is in accordance with the Public Contract Regulations 2015 and the council's Contract Procedure Rules. The identified contractor holds the relevant certification to carry out specialist retrofit work. The PAS 2030 and 2035 certification is governed by Trustmark an accreditation scheme that is a Central Government pre-requisite for all Central Government funded retrofit work. The identified contractor submitted a fee breakdown together with rates provided by the Framework which was benchmarked with other contractors and proved to be competitively priced. The Contractor conducting the work will be appointed using a suitable JCT Contract. The contractual payments being linked to successful performance of the works, whether in whole or in stages. The contract will offer the flexibility and procedures required to deliver 5 programmes that are vary in nature and time scales. The JCT contract will be managed in accordance with the council's contract management framework.
- 11.66 The latest financial projection also includes an annual provision for Estate Improvements sufficient to cover known commitments and a similar level of capital expenditure beyond 2025/26.
- 11.67 Investment in the first wave of sewage treatment plants designed to reduce the high running costs of specific plants was included in the 2024/25 budget and are currently being progressed. Further provision for improvement works, funded through both the generation of nutrient credits and funding from Push South Hampshire (PSH), was agreed in September 2024. The proposed budget includes additional investment of £0.6 for a second wave of proposed sites, in addition to the ongoing investment requirements of the HRA sewage treatment works, to reduce the running costs of more of the high-cost sewage

treatment works sites prior to moving towards cost recovery. Business cases for these projects are currently being developed.

New Build Capital Programme

- 11.68 The new “Good Homes for All” council plan priority continues the council’s commitment to new homes and the HRA New Build Programme is key to delivering this objective. The HRA Capital programme includes provision for existing and emerging opportunities, sufficient to finance the achievement of the council’s target to deliver 1000 new council homes by 2032. The 10-year forward financial projection has identified a capital expenditure requirement of £237.7m. The projection includes approved schemes totalling £42m and an unapproved provision of £195m to cover schemes for which business cases are currently being developed, or schemes as yet unidentified. A breakdown of the schemes is shown at Appendix 4. Application for additional housing grant will be considered for all future developments where appropriate.
- 11.69 Delivery of new homes is dependent on the identification and acquisition of suitable s106 sites, as well as land and appropriate sites to develop. The new build programme assumes steady delivery of unallocated schemes and small sites to optimise available funding and cashflow within the HRA. There is an unallocated budget of £6m for 2025/26, but if required additional funding may be brought forward from future years subject to robust business case.
- 11.70 In December 2024, the Council was offered the opportunity to submit an expression of interest to secure funding from the Local Authority Housing Fund (LAHF) for additional homes for Afghan resettlement and temporary accommodation.
- 11.71 An expression was submitted on 17th January, but as at the time of writing this report, was still awaiting the outcome. The expression of interest would support the acquisition of up to 12 properties, of which 9 intended for temporary accommodation and 3 for resettlement. The Expression of interest would also support the refurbishment of Barnes House, a long term void property, for temporary accommodation.
- 11.72 At the time of writing, the exact award is not yet known and will be confirmed in the finalised Memorandum of Understanding. Proposed spend is based on estimates of property purchases.
- 11.73 The council are encouraged to deliver 50% of these properties as new homes (new build). There is a 10% uplift to the base grant for any new homes purchased. The base grant is calculated on 40% of median purchase prices in Winchester, which according to O&S Statistics is £494,475. A further £21,000 is also awarded and is intended for conveyancing, refurbishment but may also be contributed to purchase cost.
- 11.74 Expenditure would be subject to meeting criteria, including financial viability, and suitability of the property in terms of location, level of refurbishment

required and suitability for conversion to Temporary Accommodation. The conditions of the grant requires the council to be, on best endeavours, to be in contract by 31st March 2026

- 11.75 The Business plan supports the delivery of the existing 1,000 Homes programme, but beyond the completion of the programme reverts to the repayment of borrowing, in order to demonstrate that the existing programme is affordable and sustainable. This assumption will be reviewed annually as part of the business planning process.

HRA Capital Programme Funding

- 11.76 Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2024/25 to 2034/35. This shows a prudential net borrowing requirement of £160m (or 39% of total programme funding), the planned reinvestment of RTB receipts £21m (5%), and the application of Major Repairs Allowance £155m (recycled depreciation funding of 38%), the investment of shared ownership receipts and other asset sales £42m (10%) and the application of S106 funding £17m (4%).

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The council could consider investing less in customers' homes than is required to achieve the regulatory requirement of EPC C by 2030. This is not recommended as it would breach the regulatory requirements and in addition would not support the council's policy objective of being greener faster.
- 12.2 The council could also seek increased revenue savings than those identified in this report so as to provide investment capacity in the HRA. At this time the level of revenue savings identified is challenging, and further savings are likely to lead to a reduction in the quality of service delivered. Investment in improving the digital access to services may generate efficiencies in the future that can be realised without detriment to services. Therefore, increased revenue savings are not recommended at this time.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Previous Committee Reports: -

CAB3479H – Social Housing regulation – February 2025

CAB3478 – HRA Business Plan and Budget options – November 2024

CAB3465 – HRA outturn 2023/24 – September 2024

CAB3445 – HRA Budget 2024/25 – February 2024

CAB3432 HRA Business Plan and Budget Options – November 2023

CAB3387 HRA Budget – February 2023

CAB3365 HRA Business Plan and Budget Options – November 2022

Other Background Documents:-

None.

APPENDICES:

Appendix 1: HRA 2025/26 Budget – Service Summary

Appendix 2: HRA 2025/26 Budget – Subjective Summary

Appendix 3: Housing Services Capital Programme 2024/25 to 2034/35

Appendix 4: New Build Housing Capital Programme 2024/25 to 2034/35

Appendix 5: HRA Capital Programme Funding 2024/25 to 2034/35

Appendix 6: HRA Financial Plan 2024/25 to 2053/54 Extract – Operating Account

Appendix 7: Proposed Savings 2025/26

APPENDIX 1: HRA 2025-26 BUDGET – SERVICE SUMMARY

<u>Housing Revenue Account</u>	24/25 Original Budget per CAB3445	24/25 Revised Budget	25/26 Original Budget
Service Summary	£	£	£
Housing Management General			
Estate Management	(1,708,006)	(1,625,861)	(1,583,373)
HRA General	(4,329,250)	(3,989,025)	(4,076,304)
New Build Programme Support	(1,027,406)	(1,027,406)	(810,918)
Downsizing	(69,600)	(69,600)	0
Rent Accounting	(78,864)	(78,864)	(96,388)
Tenants Information	(109,779)	(79,167)	(90,003)
Tenancy Sustainment	(474,796)	(454,796)	(465,418)
Vacant Dwellings	(120,100)	(120,100)	(174,400)
	(7,917,801)	(7,444,819)	(7,296,804)
Housing Management Special			
Communal Services	(11,002)	(11,002)	147,379
Disabled Adaptations	(158,522)	(188,023)	(193,009)
Estate Maintenance	(660,994)	(660,994)	(620,887)
Homelessness	(228,821)	(163,189)	(109,213)
Home Ownership	349,099	349,099	502,040
Sewage Works	(430,495)	(430,495)	(433,371)
Sheltered Housing	(1,203,815)	(1,203,815)	(1,158,834)
	(2,344,550)	(2,308,419)	(1,865,895)
Repairs			
Responsive Maintenance	(3,540,927)	(3,540,927)	(4,322,319)
Voids	(1,767,900)	(1,767,900)	(1,764,950)
Cyclic	(1,135,300)	(1,135,300)	(1,763,867)
Sub - total Repairs Works	(6,444,127)	(6,444,127)	(7,851,136)
Repairs Administration	(2,060,980)	(2,318,890)	(2,642,488)
	(8,505,107)	(8,763,017)	(10,493,624)
Debt Management Expenses			
Debt Management Expenses	(9,243)	(9,243)	(12,576)
Interest Payable	(8,102,000)	(8,102,000)	(8,322,000)
Depreciation of Fixed Assets	(9,973,000)	(9,973,000)	(10,562,055)
	(18,084,243)	(18,084,243)	(18,896,631)
Rents and Other Income			
Dwelling Rents	33,649,400	33,649,400	33,965,769
Foxglove House	220,000	220,000	406,340
Garage Rents	64,400	64,400	56,092
Investment Properties Income	188,079	188,079	199,656
Rents and Other Income	50,912	50,912	74,047
Sheltered Charges	558,620	558,620	641,538
Interest Receivable	385,480	385,480	1,170,000
	35,116,891	35,116,891	36,513,442

APPENDIX 1: HRA 2024-25 BUDGET – SERVICE SUMMARY

<u>Housing Revenue Account</u>	24/25 Original Budget per CAB3445	24/25 Revised Budget	25/26 Original Budget
Service Summary	£	£	£
Surplus for year on HRA Services	(1,734,810)	(1,483,607)	(2,039,512)
Right to Buy Admin Fees	30,500	30,500	0
(Increase)/ decrease in HRA Balance	(1,704,310)	(1,453,107)	(2,039,512)
<u>HRA Working Balance</u>			
Opening Balance	14,447,125	14,095,611	14,701,504
Add Projected Deficit/(Surplus)	(1,704,310)	(1,453,107)	(2,039,512)
Forecast underpsend against budget Q3 2024/5		2,059,000	
Projected Balance at Year End	12,742,815	14,701,504	12,661,992

APPENDIX 2: HRA 2025-26 BUDGET – SUBJECTIVE SUMMARY

<u>Housing Revenue Account</u>	24/25 Original Budget per CAB3445	24/25 Revised Budget	One-off 24/25 Budgets	Inflation	Growth	Savings	Other Adjustments	25/26 Original Budget
Subjective Summary	£	£	£	£	£	£	£	£
Employees	(6,123,688)	(6,074,065)	110,000	(287,680)	0	110,000	94,269	(6,047,476)
Premises	(8,953,269)	(8,953,269)	0	(317,400)	(1,593,018)	637,800	0	(10,225,887)
Transport	(148,617)	(148,617)	0	(2,200)	0	0	0	(150,817)
Supplies & services	(2,584,757)	(2,454,757)	(84,900)	(41,354)	(340,000)	585,000	0	(2,336,011)
Third party payments	(225,900)	(225,900)	0	(2,500)	0	69,600	0	(158,800)
Support Services	(2,890,657)	(2,819,077)	0	(145,306)	(352,122)	0	(94,269)	(3,410,774)
Net Interest	(7,716,520)	(7,716,520)	0	0	0	0	564,520	(7,152,000)
Depreciation on Fixed Assets	(9,973,000)	(9,973,000)	0	(250,000)	(339,055)	0	0	(10,562,055)
External income	36,881,598	36,881,598	0	940,000	0	50,000	132,709	38,004,307
Surplus for year on HRA Services	(1,734,810)	(1,483,607)	25,100	(106,440)	(2,624,194)	1,452,400	697,229	(2,039,512)
Right to Buy Admin Fees	30,500	30,500	0	0	0	0	(30,500)	0
(Increase)/ decrease in HRA Balance	(1,704,310)	(1,453,107)	25,100	(106,440)	(2,624,194)	1,452,400	666,729	(2,039,512)
<u>HRA Working Balance</u>								
Opening Balance	14,447,125	14,095,611						14,701,504
Add Budgeted Deficit/(Surplus)	(1,704,310)	(1,453,107)						(2,039,512)
Forecast underspend against budget Q3 2024/25	0	2,059,000						
Projected Balance at Year End	12,742,815	14,701,504						12,661,992

Housing Services Capital Programme 2024/25 to 2034/35**Appendix 3**

Housing Services Programme	2024/25	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	Original Budget.	Sept revised Budget.	Forecast	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Major Repairs	(10,405)	(7,183)	(7,182)	(8,570)	(9,203)	(8,555)	(9,605)	(9,708)	(9,864)	(5,736)	(7,547)	(7,084)	(8,367)	(91,421)
Ashburton & Chesil windows														
Major Repairs	(10,405)	(7,183)	(7,182)	(8,570)	(9,203)	(8,555)	(9,605)	(9,708)	(9,864)	(5,736)	(7,547)	(7,084)	(8,367)	(91,421)
														0
Estate Improvements	(534)	(350)	(350)	(432)	(445)	(459)	(472)	(487)	(501)	(516)	(532)	(272)	(280)	(4,746)
Sheltered Housing	(154)	(174)	(174)	(74)	(76)	(78)	(81)	(83)	(86)					(652)
Improvements & Upgrades	(688)	(524)	(524)	(506)	(521)	(537)	(553)	(570)	(587)	(516)	(532)	(272)	(280)	(5,398)
														0
Disabled Adaptations	(815)	(1,015)	(700)	(719)	(740)	(763)	(786)	(809)	(833)	(858)	(884)	(911)	(938)	(8,941)
Asbestos and Fire rectification (reactive)				(300)	(150)	(161)	(164)	(175)	(189)	(195)	(205)	(215)	(221)	(1,975)
Fire remedial works (Planned)	(1,176)	(1,000)	(750)	(1,051)	(547)	(560)	(565)	(576)	(585)	(602)	(616)	(631)	(650)	(7,133)
Fire Safety Compartmentation				(1,950)	(2,000)	(2,057)								(6,007)
Climate Change Emergency	(4,906)	(6,402)	(4,636)	(5,936)	(7,744)	(5,900)	(6,077)	(6,259)	(6,447)	0	0			(42,999)
Victoria House Sewerage Connection			(15)	(516)										(531)
Sewage Treatment Works (STW)	(659)	(866)	(450)	(479)	(162)	(120)	(123)	(127)	(131)	(135)	(139)	(143)	(147)	(2,156)
STW - Nutrient Mitigation	(600)	(400)		(407)										(407)
STW - Nutrient Mitigation (PUSH)	0	0	(200)	(700)										(900)
Other Capital Spending	(8,156)	(9,683)	(6,751)	(12,058)	(11,343)	(9,561)	(7,715)	(7,946)	(8,185)	(1,790)	(1,844)	(1,900)	(1,956)	(71,049)
Unapproved Schemes														
Sewage Treatment works additional schemes					(600)									
Total HS Capital Programme	(19,249)	(17,390)	(14,457)	(21,134)	(21,667)	(18,653)	(17,873)	(18,224)	(18,636)	(8,042)	(9,923)	(9,256)	(10,603)	(167,868)

Housing New Build Capital Programme 2024/25 to 2034/35Appendix 4

New Build Programme & Other Capital	2024/25 Original Budget.	2024/25 Sep Revised.	2024/25 Latest Forecast	2025/26 Budget.	2026/27 Budget.	2027/28 Budget.	2028/29 Budget.	2029/30 Budget.	2030/31 Budget.	2031/32 Budget.	2032/33 Budget.	2033/34 Budget.	2034/35 Budget.	Total Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Approved Schemes														
Winnall		(2,958)	(2,958)											(2,958)
Barton Farm	(189)													
LAHF Property Acquisition		(1,839)	(1,100)											(1,100)
Southbrook Cottages		(439)	(600)											(600)
Woodman		(41)												
Property Buybacks		(1,360)	(380)	(980)										(1,360)
Hazeley Rd Twyford			(300)	(915)	(915)									(2,130)
Kings Barton all Phases			(3,200)	(3,360)	(7,732)	(19,635)								(33,927)
New Build Major Repairs	(46)													
Total Approved Schemes	(235)	(6,637)	(8,538)	(5,255)	(8,647)	(19,635)								(42,075)
Unapproved Schemes														
CornerHouse	(986)			(900)	(900)									(1,800)
Woodman Close				(978)	(978)									(1,956)
Minden Rd					(1,505)	(1,505)								(3,010)
Morgans Yard					(115)	(1,164)								(1,279)
Unallocated 1000 homes	(13,703)	(12,343)		(6,065)	(6,815)	(24,319)	(26,193)	(30,785)	(37,005)	(28,672)	(27,771)			(187,625)
Total Unapproved Schemes	(14,689)	(12,343)		(7,943)	(10,313)	(26,988)	(26,193)	(30,785)	(37,005)	(28,672)	(27,771)			(195,670)
Total All Schemes	(14,924)	(18,980)	(8,538)	(13,198)	(18,960)	(46,623)	(26,193)	(30,785)	(37,005)	(28,672)	(27,771)			(237,745)

HRA Capital Programme Funding 2024-25 to 2034-35**Appendix 5**

	2024/25	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/25	Total
HRA Capital Programme Funding	Original Budget	Sept Revised Budget	Latest Forecast	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing	0		0	0	0	45,042	21,775	27,427	32,937	15,993	16,973	0	0	160,147
RTB 141 Receipts	4,475		6,994	3,673	1,015	1,050	1,085	1,122	1,160	1,198	1,239	1,281	1,323	21,141
Other RTB Receipts	3,360		610	549	36	43	50	57	29	36	43	51	59	1,563
Capital Receipts - Shared Owner	4,114	3,000	3,000	4,000	6,043	2,631	4,851	6,581	5,380	4,204	5,957	0	0	42,647
Capital Receipts Other	1,042	1,042	50	623	1,200	1,105	600	600	600	600	0	0	0	5,378
Grant	0		882	700	0	0	0	0	0	0	0	0	0	1,582
CIL	0	755	755	0	0	0	0	0	0	0	0	0	0	755
S106			0	0	4,000	3,878	4,000	1,035	2,805	1,600	0			17,318
Major Repairs Reserves	13,304		10,704	24,787	28,333	11,527	11,706	12,188	12,729	13,083	13,481	7,924	9,221	155,684
Funding Total	26,295	28,402	22,995	34,332	40,627	65,276	44,067	49,010	55,641	36,714	37,694	9,256	10,603	406,215
Housing Services			14,457	21,134	21,667	18,653	17,873	18,224	18,636	8,042	9,923	9,256	10,603	168,468
New Build			8,538	13,198	18,960	46,623	26,193	30,785	37,005	28,672	27,771	0	0	237,745
Capital Programme Total	26,295	24,027	22,995	34,332	40,627	65,276	44,066	49,009	55,641	36,714	37,694	9,256	10,603	406,213

APPENDIX 6 – HRA BP INDICATIVE OPERATING ACCOUNT OVER 30 YEARS

Winchester CC HRA Business Plan Operating Account (expressed in money terms)																			
Income					Expenditure														
Year	Year	Net rent Income £,000	Other income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Other Revenue spend £,000	Misc expenses £,000	Total expenses £,000	Capital Charges £,000	Net Operating (Expenditure) £,000	Repayment of loans £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000	
1	2024.25	35,369	234	1,584	37,177	(12,558)	(10,317)	(8,288)	(445)	(315)	(31,903)	(7,201)	(1,927)	(231)	(2,157)	14,925	1,934	14,701	
2	2025.26	35,732	292	2,011	38,035	(12,867)	(10,566)	(8,101)	(788)	(578)	(32,900)	(8,319)	(3,184)	0	(3,184)	14,701	1,144	12,661	
3	2026.27	37,444	298	2,065	39,807	(12,718)	(10,881)	(8,246)	(465)	(595)	(32,905)	(8,323)	(1,421)	0	(1,421)	12,661	634	11,874	
4	2027.28	40,365	304	2,121	42,790	(12,775)	(11,285)	(8,519)	(368)	(613)	(33,540)	(9,483)	(213)	0	(213)	11,874	362	12,023	
5	2028.29	42,834	310	2,178	45,322	(13,011)	(11,706)	(8,775)	(52)	(631)	(34,175)	(11,313)	(166)	0	(166)	12,023	364	12,220	
6	2029.30	45,209	316	2,237	47,762	(13,355)	(12,188)	(9,035)	(53)	(650)	(35,281)	(12,571)	(90)	(231)	(321)	12,220	367	12,267	
7	2030.31	48,581	323	2,298	51,201	(13,720)	(12,729)	(9,316)	(54)	(670)	(36,490)	(14,072)	639	0	639	12,267	383	13,290	
8	2031.32	49,783	329	2,360	52,472	(14,082)	(13,083)	(9,596)	(55)	(690)	(37,506)	(15,473)	(507)	0	(507)	13,290	397	13,179	
9	2032.33	51,445	336	2,424	54,204	(14,454)	(13,481)	(9,881)	(56)	(710)	(38,582)	(16,550)	(928)	(231)	(1,159)	13,179	383	12,403	
10	2033.34	52,520	342	2,490	55,352	(14,794)	(13,898)	(10,166)	(57)	(732)	(39,448)	(16,962)	(1,057)	(343)	(1,401)	12,403	444	11,446	
11	2034.35	53,612	349	2,557	56,519	(15,150)	(13,919)	(10,467)	(59)	(754)	(40,349)	(16,961)	(781)	(231)	(1,012)	11,446	578	11,012	
12	2035.36	55,774	356	2,627	58,757	(15,516)	(14,143)	(10,777)	(60)	(776)	(41,272)	(17,177)	309	(318)	(10)	11,012	736	11,738	
13	2036.37	55,796	363	2,698	58,858	(15,890)	(14,370)	(11,096)	(61)	(800)	(42,217)	(17,166)	(526)	(229)	(754)	11,738	859	11,843	
14	2037.38	56,892	371	2,772	60,034	(16,274)	(14,601)	(11,424)	(62)	(824)	(43,188)	(17,304)	(455)	(378)	(833)	11,843	926	11,936	
15	2038.39	58,010	378	2,847	61,235	(16,668)	(14,836)	(11,762)	(63)	(848)	(44,178)	(17,277)	(221)	(696)	(918)	11,936	995	12,012	
16	2039.40	59,150	386	2,925	62,460	(17,071)	(15,075)	(12,110)	(65)	(874)	(45,195)	(17,234)	30	(1,017)	(987)	12,012	1,120	12,145	
17	2040.41	60,312	393	3,004	63,710	(17,485)	(15,318)	(12,469)	(66)	(900)	(46,237)	(17,174)	299	(1,409)	(1,110)	12,145	1,202	12,237	
18	2041.42	62,680	401	3,086	66,168	(17,909)	(15,564)	(12,838)	(67)	(927)	(47,305)	(17,066)	1,797	(2,960)	(1,163)	12,237	1,284	12,358	
19	2042.43	62,707	409	3,171	66,287	(18,344)	(15,814)	(13,218)	(69)	(955)	(48,399)	(17,088)	800	(2,105)	(1,306)	12,358	1,455	12,507	
20	2043.44	63,940	417	3,257	67,615	(18,789)	(16,069)	(13,609)	(70)	(983)	(49,520)	(16,971)	1,123	(2,588)	(1,443)	12,507	1,511	12,575	
21	2044.45	65,198	426	3,346	68,970	(19,246)	(16,327)	(14,011)	(71)	(1,013)	(50,669)	(16,833)	1,468	(2,969)	(1,501)	12,575	1,534	12,608	
22	2045.46	66,480	434	3,438	70,352	(19,715)	(16,590)	(14,426)	(73)	(1,043)	(51,847)	(16,674)	1,831	(3,356)	(1,525)	12,608	1,639	12,723	
23	2046.47	67,788	443	3,532	71,763	(20,195)	(16,857)	(14,853)	(74)	(1,075)	(53,054)	(16,496)	2,214	(3,841)	(1,627)	12,723	1,782	12,878	
24	2047.48	70,452	452	3,629	74,533	(20,688)	(17,128)	(15,292)	(76)	(1,107)	(54,290)	(16,407)	3,835	(5,574)	(1,738)	12,878	1,944	13,083	
25	2048.49	70,484	461	3,728	74,673	(21,193)	(17,403)	(15,745)	(77)	(1,140)	(55,558)	(16,145)	2,970	(4,930)	(1,960)	13,083	2,015	13,138	
26	2049.50	71,872	470	3,831	76,172	(21,711)	(17,683)	(16,211)	(79)	(1,174)	(56,857)	(15,886)	3,429	(5,431)	(2,002)	13,138	2,071	13,206	
27	2050.51	73,287	479	3,936	77,702	(22,242)	(17,968)	(16,690)	(80)	(1,209)	(58,189)	(15,601)	3,913	(5,970)	(2,057)	13,206	2,096	13,245	
28	2051.52	74,731	489	4,044	79,264	(22,788)	(18,256)	(17,184)	(82)	(1,246)	(59,554)	(15,413)	4,297	(6,504)	(2,207)	13,245	2,061	13,098	
29	2052.53	77,669	499	4,155	82,323	(23,345)	(18,550)	(17,693)	(84)	(1,283)	(60,954)	(15,069)	6,300	(8,193)	(1,893)	13,098	2,078	13,283	
30	2053.54	77,678	509	4,270	82,456	(23,908)	(18,848)	(18,202)	(85)	(1,322)	(62,363)	(14,677)	5,417	(7,512)	(2,095)	13,283	2,116	13,303	

Appendix 7

Proposed Savings 2025/26

Proposal	2025/26 Saving	Potential future year savings	One/off or ongoing	Risk rating
Review of General Fund staffing recharges to the HRA	150		Ongoing	Green
Discontinue Tenants incentive budget. This is a budget to reward customers for moving from a larger to smaller property. Many customers decide to make such a move without the incentive of payment and thus this budget can be withdrawn. If tenants face hardship in moved discretionary housing payments exist to help fund the move.	65		Ongoing	Green
Reduce Tenant involvement budget. This has been achieved by aligning budgets to existing spend and has no impact on current activity.	40		Ongoing	Green
Discontinue white goods budget. This budget was used to purchase new white goods for tenants when they moved into homes if they were unable to finance themselves. In future customers facing this issue will be supported with recycled or white goods from charities.	25		Ongoing	Green
IT contingency budget reduction. This is reduction in budget due to the repair and maintenance contract procurement intending to seek IT solutions from suppliers as part of the contract.	400		One-off	Green
Rent convergence updated budget assumption. This reflects the modelling of the turnover of properties next year that will be let at formula rent levels.	100		Ongoing	Green
Reduce consultancy budget from New Homes. This will reduce the budget for feasibility on new development to be undertaken by the Council. This is consistent with the strategic move to acquisition of new homes and reducing direct development activity.	100		Ongoing	Green

New Homes deletion of vacant posts. This is the deletion of funded vacant posts.	120		Ongoing	Green
Sewage charges subsidy reduction. If OFWAT allow water utility bills to increase above inflation then Council policy is to mirror any increases and as such the subsidy provided will reduce commensurately	10	45	Ongoing	Amber
Review of Voids contracts provision Detailed review of voids costs suggests that in some cases costs can be reduced by procurement outside basket rates	200	150	Ongoing	Amber
Implementation of Repairs recharge policy. This is subject to implementation of repairs recharge policy which supports the repair and maintenance contract procurement. Policy is expected to be agreed at Cabinet in July 2025 following consultation.	50		Ongoing	Amber
Disrepair process review. This reflects a more proactive approach to achieving agreement to disrepair cases early on so as to mitigate costs of fees for the Council.	0	50	Ongoing	Amber
Voicescape end contract 2025/6 half year. This contract supports income recovery and the performance achieved to date does not require on going use of this service	20		Ongoing	Amber
Service charge full cost recovery review. This reflects the costs of ensuring that full costs of service charges are recovered from those customers who enjoy them.	250		Ongoing	Amber
Reduction in postage. As the service moves towards digital communications with customers this budget can be reduced commensurately	20		Ongoing	Amber
To employ a Quantity Surveyor to drive cost control savings. This saving is the net after employment costs of a Quantity surveyor is employed to challenge contractors costs of works when invoiced.	100		Ongoing	Red

Increased charges for catering at Chesil Lodge. At present the HRA provides a significant subsidy to the cost of meals for those who enjoy them at Chesil lodge. This proposal aims to reduce that subsidy by passing more costs onto the Chesil lodge residents	20		Ongoing	Amber
Total	1,670	245		